

June 3, 2003

The Honorable Jimmy L. Warren  
Clerk of the Circuit Court  
County of Smyth

Board  
County of Smyth

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Smyth for the period January 1, 2002 through March 31, 2003.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

#### Improve Accounts Receivable Management

The Clerk does not establish criminal receivable accounts on the Court's automated accounting system immediately after the final disposition of the case. In 9 of 20 unpaid criminal cases tested, the Clerk did not set up the receivable for up to 11 weeks after the final disposition. As a result, the Clerk also did not record these cases in the Court's judgment lien indexing system in a timely manner. The Clerk should immediately establish receivables and record judgments in the Court's judgment lien indexing system promptly after case final disposition. Failure to promptly establish receivables or record judgments hinders collection efforts and results in loss of revenue for the Commonwealth.

#### Properly Perform Bank Reconciliation

The Clerk did not complete the reconciliation of the bank account to the Court's automated financial system from August 2002 to March 2003 until April 2003. In addition, during our review of the April 2003 reconciliation, we found reconciling items totaling \$350. The Clerk should ensure he completes the reconciliation of the bank account to the Court's financial management system monthly and seek assistance

immediately from the Supreme Court if problems arise. Failure to reconcile the bank account monthly and resolve all differences can lead to errors and irregularities going undetected.

#### Promptly Remit State Collections

In 15 of 20 weeks tested, the Clerk did not properly deposit state collections exceeding \$5,000 with the State Treasurer as required by Section 2.2-806 of the Code of Virginia. The Clerk should ensure he and his staff properly deposit all state collections as outlined in the Code of Virginia. Failure to properly adhere to these regulations leads to non-compliance and could lead to loss or misappropriation of funds.

We discussed these comments with the Clerk on June 3, 2003 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable C. B. Flannagan II, Chief Judge  
Edwin B.J. Whitmore III, County Administrator  
Bruce Haynes, Executive Secretary  
Compensation Board  
Paul Delosh, Technical Assistance  
Supreme Court of Virginia  
Martin Watts, Court Analyst  
Supreme Court of Virginia  
Don Lucido, Director of Technical Assistance  
Supreme Court of Virginia  
Director, Admin and Public Records  
Department of Accounts